Monthly Macro and Markets Review

Review for September 2023

For Professional, Accredited and/or Institutional Investors Only

Equity markets	Return
US Equities	-4.7%
Europe ex UK	-4.9%
Japan equities	-2.1%
UK equities	-0.8%
Switzerland	-1.5%
Asia ex Japan	-2.7%
Russell 2000	-6.0%
FTSE Small	0.2%
India	1.7%
China	-2.8%
Brazil	0.7%
Singapore	-0.5%
Emerging markets	-2.6%
Developed Market	-4.3%

Equity markets were on the slide through the month as policymakers reminded investors that the most likely outcome was higher-for-longer interest rates. Almost all equity markets registered negative total returns for the month, except Brazil and India. Emerging markets performed better than developed markets despite the strength of the dollar.

Sectors	
Energy	2.5%
IT	-6.8%
Consumer staples	-5.1%
Healthcare	-3.3%
Banks	-0.7%

The sharp rise in long term interest rates led to a correction across high valuation sectors such as IT. The energy sector was the stand our performer benefitting from higher. than expected oil prices.

Currencies	
$ trade weighted	2.5%
GBP trade weighted	-1.9%
Yen/$	2.6%
Gold	-4.7%

The dollar continued its recent momentum helped by the market pricing a risk of further rate rise. The yen remained weak. Gold sold off on the back of $ strength

Bonds	
Global Aggregate	-2.9%
Global Aggregate (Hgd)	-1.7%
Investment grade bonds	-2.1%
Emerging market debt	-2.3%
US High Yield	-1.2%

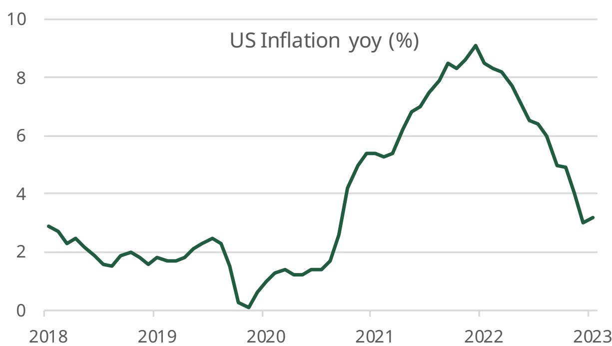
Bond markets were on the back foot, as they rushed to discount the messaging from central bakers of higher policy rates for longer. Bond yields rose with the US 10 year moving to the highest level since 2007. Credit did relatively well with high yield bonds outperfroming government bonds. Emerging market debt was under pressure from the higher dollar.

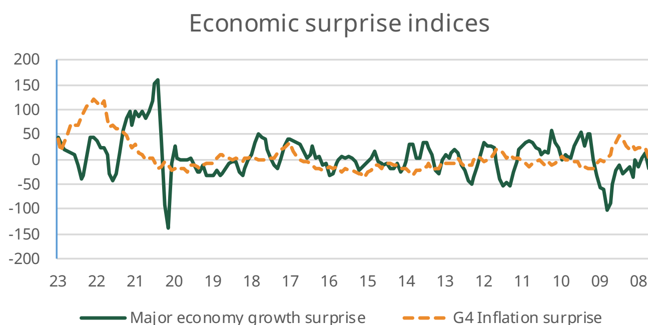
Global macroeconomics

September was a month of no surprises in economic data, with inflation and growth data primarily meeting expectations. However, central bankers were very vocal in their view that the main risk was that the policy rate would have to rise further.

Much of the month's focus was on China, where investors remained hopeful for a significant fiscal stimulus. In the event, the government introduced a series of initiatives to provide some marginal relief to the real estate market.

In the United States, the strike of auto workers has caught the eye. Days lost through industrial disputes are at a multi-year high, increasing the risk of outsize wage inflation in coming months, pushing up inflation risk.





Outlook

Investors remained worried about the effects of the sharp rise in government bond yields over the past six weeks. In the meantime, global growth has remained upbeat despite economists' concerns from time to time of an imminent slowdown. Indeed, over the past quarter, growth forecasts have risen. However, such a sharp rise in long-term interest rates with the risk of higher short-term interest rates must be increasing the risk of the global economy rolling over in coming quarters. There appears to be a limited risk of recession. However, more aggressive action by central bankers to slow growth can only increase the risk of a marked correction in global growth and further weakness in equity markets.

High-yield credit looks vulnerable, given tightening credit conditions and the higher absolute yields, many companies will have to refinance.

Among equity markets, the best stories are in the smaller markets of Japan, Brazil and India. There is some hope for a more marked rise in Chinese asset markets. Still, the Chinese authorities are not minded to providing significant fiscal stimulus to the economy, and hence, any rise in the market could be, at best, a slow burn.

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